

**BEFORE THE ILLINOIS COMMERCE COMMISSION**

**REBUTTAL TESTIMONY**

**Of**

**DAVID W. LEPPERT**

**ON BEHALF OF**

**CONSUMERS ILLINOIS WATER COMPANY**

**DOCKET NOS. 00-0337, 00-0338, 00-0339**

**Consolidated**

**September 29, 2000**

1           **WITNESS IDENTIFICATION AND BACKGROUND**

2   **Q.     Please state your name and business address.**

3   A.     My name is David W. Leppert and my business address is 1000 South Schuyler  
4           avenue, Kankakee, Illinois, 60901

5   **Q.     Have you previously submitted testimony in this proceeding?**

6   A.     Yes.

7   **Q.     What is the purpose of your rebuttal testimony?**

8   A.     The purpose of my testimony is to address:

9                 1) Staff Witness Ray Pilapil's Revenue adjustments

10                2) Payroll Expense

11           **REVENUE**

12   **Q.     Please address Mr. Pilapil's pro forma present and proposed adjustments to**  
13           **Vermilion revenue as shown on Staff Exhibit 5.00, Schedule 5.01.**

14   A.     Mr. Pilapil has adjusted pro forma present and proposed Vermilion revenues by \$24,308  
15           and \$24,895, respectively. As Mr. Pilapil notes on page 5 of his testimony, these  
16           adjustments are primarily related to Other Revenues.

17   **Q.     Do you agree with these adjustments?**

18   A.     Yes. In response to Staff Data Request WH/D-008, Company noted it was investigating  
19           further the significant changes in Miscellaneous Operating Revenues which occurred in  
20           the years 1999 through 2001. Company has since learned that bulk water sales reflected  
21           in Other Water Revenues in 1999 are not reflected in the 2001 test year. I believe the  
22           level of 1999 Miscellaneous Operating Revenues is representative of the amount  
23           anticipated to be realized in 2001. As such, I believe Mr. Pilapil's adjustments with  
24           regard to pro forma present and proposed revenue are reasonable.

1     **Q.     Do you agree with Mr. Pilapil's adjustment to the Woodhaven Division's Other**  
2     **Revenues on ICC Staff Exhibit 5.00, Schedule 5.02?**

3     A.     No, I do not.

4     **Q.     Would you please explain the differences you have with Mr. Pilapil regarding his**  
5     **adjustment to Other Revenues.**

6     A.     Yes I will. The major difference is in the "Forfeited Discounts" reflected in Mr.  
7     Pilapil's Other Revenues. Mr. Pilapil starts with a pro forma present rate of \$45,307,  
8     submitted by the Company in its response to WH/ALL-010, and then increases the  
9     forfeited discounts by 53.95% to arrive at his pro forma proposed forfeited discounts  
10    of \$69,752. This amount is overstated because it does not reflect the necessary  
11    adjustment the Company put forth in its response to WH/W-008, stating that the  
12    \$45,307 included \$26,441 related to Woodhaven Sewer that was incorrectly booked  
13    to Woodhaven Water.

14    **Q.     What were the actual forfeited discounts for Woodhaven Water for 1999?**

15    A.     The actual forfeited discounts for Woodhaven Water as indicated in the Company's  
16    response to WH/W-008 were \$18,866, not \$45,307.

17    **Q.     Is the forfeited discounts amount of \$16,897 for projected 2001 as shown on**  
18    **Exhibit 13, Schedule C – 27, page 2 correct as filed?**

19    A.     Yes it is.

20    **Q.     Are there any other areas related to other revenue that you would like to**  
21    **comment on?**

22    A.     Yes. In the Company's response to WH/ALL-010, it indicated that there was \$13,556  
23    of "other water revenue" for 1999; I would like to comment on two items included in  
24    that total. The first item is for \$3,446 of repair work the Company billed  
25    Commonwealth Edison in 1999 for damage they did to our system, which I believe

will not reoccur in 2001, and should be treated as an anomaly. Neither the revenue nor expense associated with the Commonwealth Edison billing is reflected in our projected test-year. The second item represents metering work the Company is doing for the Village of Sublette, which was not included in the Company's test-year or future test-year, but should be. The Company will be installing water meters for the Village of Sublette through the end of 2001, at which point all the meters will have been installed. Included in the \$13,556 of other water revenues for 1999 was \$6,332 of revenue from the Village of Sublette. The Company estimates that it will be installing 50 meters for the Village of Sublette in 2001 at a fixed contract rate of \$120.75 per meter for a total of \$6,038. This \$6,038 should be included in the Company's future test-year revenues, however, the out-of-pocket costs (mainly the meter itself) of \$56.85 per installation should be included as well. The cost per installation is as follows:

5/8" X 3/4" Meter	\$51.95
Meter gaskets	0.32
Seal	0.04
Wire	1.20
	53.51
Tax	3.34
	<b>\$56.85</b>

Therefore, the Company should be including in other water revenues \$63.90 per meter installation for 2001, or a total of \$3,195 which was not included in the original filing.

**Q. Would you please summarize the your recommended adjustment to other revenues as compared to your original filing.**

A. I would only adjust the Company's originally filing to reflect \$3,195 of additional revenue from the Village of Sublette. I believe the Commonwealth Edison billing for damage to our system was an anomaly, and I believe the forfeited discounts as filed need not be adjusted.

**PAYROLL EXPENSE**

**Q. Did the Staff Data Request discovery process also reveal any expenses inadvertently missing from the 2001 test year?**

A. Yes. In response to WH/K-008, Company explained the drop in Kankakee union payroll by the fact that replacement for a retiring union employee was inadvertently omitted from the 2000 budget. Consequently, this position is not reflected in the 2001 test year budget either. The Company therefore proposes that this omission be adjusted to the test year along with other findings resulting from the discovery process.

**Q. Is this union position currently filled?**

A. Yes. Please see Mr. Bunosky's Rebuttal testimony concerning the status of this position.

**Q. Please explain your payroll expense adjustment to test year related to this position.**

A. The average hourly wage for 2001, which includes a 3.5% wage increase effective January 1, 2001, is projected to be \$11.81. With an additional 208 hours of overtime assumed as well as a payroll overhead factor of 35%, the total cost for labor and payroll-related overheads is \$38,138. Given the 9.42% capitalized percentage, 90.58% or \$34,545 should be expensed.

**Q. Does this conclude your rebuttal testimony?**

A. Yes, it does.

